

Department for Medicaid Services
Intermediate Care Facility/Mentally Retarded

Nursing Facilities Reimbursement Manual

412. ADMINISTRATOR'S COMPENSATION

412. ADMINISTRATOR'S COMPENSATION

The limits on non-owner Administrator's compensation specified in Part III of the Nursing Facility Reimbursement Manual shall not be applicable to the ICF-MR facilities.

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413. EDUCATIONAL COSTS

413. EDUCATIONAL COST

The cost associated with providing educational services to residents of ICF-MRs shall not be an allowable expense for reimbursement purposes. Education services provided in facilities or areas within an ICF - MR or on its property which are specifically identified for providing these services by or under contract with the state or local educational agency shall not be reimbursable. Examples of these costs are salaries, building depreciation costs, overhead, utilities, etc.

Whether or not educational services are provided in a specifically identified facility or area, reimbursement shall not be available for education or related services provided to a client during the periods of time the Individual Education Plan (IEP) requires that educational and related services be provided. All the services described in the IEP shall be excluded for Medicaid reimbursement, whether provided by state employees, by staff of the ICF-MR or by others.

Related services may be reimbursed if the services are performed as a reinforcement and continuation of the same type of instruction before or after the formal training as part of the individual's program of active treatment.

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413. EDUCATIONAL COSTS

413. EDUCATIONAL COST

Educational services not eligible for reimbursement shall be those which are:

- A. Provided in the building, rooms, or area designated or used as a school or educational facility; and
- B. Provided during the specific hours and time periods in which the educational instruction takes place in the normal school day and period of time for these students; and
- C. Included in the IEP for the specific student or required by Federal and State educational statutes or regulations; and
- D. Related services provided to a student under twenty-two (22) years of age.

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414. PURCHASE AND DISPOSAL OF SPECIALIZED MEDICAL EQUIPMENT

414. PURCHASE AND DISPOSAL OF SPECIALIZED MEDICAL EQUIPMENT

Specialized medical equipment such as eyeglasses, dentures, adaptive wheelchairs, etc., shall be a part of routine cost when purchased by the provider. These items shall be either expensed in the year of acquisition when appropriate or capitalized and depreciated when meeting the criteria for the acquisitions. Examples of items to be expensed shall be most eyeglasses, dentures and other such items. Items to be capitalized and depreciated shall be adaptive wheelchairs, braces if applicable, etc. If an individual patient's family wishes to purchase any of these items for the patient, they may do so but any reimbursement to the facility shall be offset against the cost of the equipment to the extent the cost is reported on the facility's books.

When a patient is discharged or voluntarily leaves a facility, the specialized equipment may be taken by the patient. If the facility charges the patient for the equipment and the equipment was originally expensed, this revenue shall be offset against the cost of medical supplies or administrative and general cost in the period when the

Attachment 4.19-D, Exhibit B

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414. PURCHASE AND DISPOSAL OF SPECIALIZED MEDICAL EQUIPMENT

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patient leaves. If the equipment was capitalized and depreciated, then the transaction shall be handled as any disposable of depreciable asset would be. If, however, the facility does not charge the patient for the equipment when they leave, then any remaining depreciation shall be included in the period when the discharge occurred.

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COMMONWEALTH OF KENTUCKY

Cabinet for Health Services

Department for Medicaid Services

DEPARTMENT FOR MEDICAID SERVICES

NURSING FACILITY PAYMENT SYSTEM

PART V

Institutions for Mental Diseases

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500. INTRODUCTION

500. INTRODUCTION

This payment system is designed for the publicly operated nursing facilities defined as Institutions for Mental Disease (IMDs) which are providing services to Medicaid recipients and are to be reimbursed under the Medicaid Program. Except as specified in this manual supplement, policies and procedures as stated in the Department for Medicaid Services Nursing Facility Reimbursement Manual, Part I and III shall be applicable to IMD facilities. This reimbursement system shall become effective with the rate setting on July 1, 1991.

The reimbursement principles and procedures in effect on July 1, 1990 shall remain in effect through June 30, 1991; except for an adjustment to the routine rate effective October 1, 1990 to take into account those medical supplies which shall become routine cost items instead of ancillary cost items on that date. The information submission requirements and add-on per diem computation shall be the same as those found in the ICF-MR portion of this manual (Part IV).

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500. INTRODUCTION

500. INTRODUCTION

The cost report submission requirements and the rate computation methodology effective July 1, 1991 shall be the same as those for ICF-MR facilities, except that IMD facilities shall not be entitled to any Cost Incentive Investment Factor.

The intent of this reimbursement system shall be to recognize the reasonable costs associated with the services and level of care provided by IMD facilities.

The allowable amount of the cost increase will be determined in accordance with the methodology prescribed in Section 102 of the Intermediate Care/Skilled Nursing Facilities General Policy and Guidelines.

OCCUPANCY LIMITATION EXCEPTIONS

If a facility is mandated by a court to reduce the number of beds, the occupancy limitations will not be applied while alternative placement of residents is being attempted in order to comply with the court ruling. During the transition period, as defined by the court, the facility will be allowed a rate adjustment, not more often than monthly, which utilizes the actual facility occupancy.

Department for Medicaid Services
Intermediate Care Facility/Mentally Retarded

Nursing Facilities Reimbursement Manual

501. DEFINITION

501. DEFINITION

For purposes of this system, an IMD is a publicly operated nursing facility primarily engaged in providing diagnosis, treatment or care of persons with mental diseases, including medical attention, nursing care and related services. Coverage shall be limited to individuals age sixty-five (65) and above.

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INTERMEDIATE CARE FACILITY/MENTALLY RETARDED
COST INCENTIVE AND INVESTMENT FACTOR SCHEDULE

<u>Basic Per Diem Cost</u>	<u>Investment Factor Per Diem Amount</u>	<u>Incentive Factor Per Diem Amount</u>
\$96.99 and Below	\$1.38	\$.87
\$97.00 - \$102.99	\$1.29	\$.75
\$103.00 - \$108.99	\$1.18	\$.62
\$109.00 - \$114.99	\$1.06	\$.47
\$115.00 - \$120.99	\$.92	\$.31
\$121.00 - \$126.99	\$.76	\$.13
\$127.00 - \$133.49	\$.53	-

COMMONWEALTH OF KENTUCKY

Cabinet for Health Services

Department for Medicaid Services

DEPARTMENT FOR MEDICAID SERVICES

NURSING FACILITY PAYMENT SYSTEM

PART VI

Mental Retardation Specialty

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600. INTRODUCTION

600. INTRODUCTION

This payment system is designed for nursing facilities with a mental retardation specialty (MRS) which are providing services to Department for Medicaid Services recipients which meet Medicare Skilled Nursing Facility (SNF) admission criteria and shall be reimbursed by the Department for Medicaid Services. Except as specified in this manual supplement, policies and procedures as stated in the Department for Medicaid Services Nursing Facility Reimbursement Manual, Parts I and III shall be applicable to nursing facilities with a mental retardation specialty.

The intent of this reimbursement system shall be to recognize the reasonable costs associated with the services and level of care provided by MRS facilities.

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601. DEFINITION

601, DEFINITION

For purposes of this system, an MRS shall be a nursing facility in which at least fifty-five (55) percent of the patients have demonstrated special needs relating to the diagnosis of mental retardation and meet Medicare SNF admission criteria.

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602. RATE COMPUTATION

602. RATE COMPUTATION

The rate computation for MRS facilities shall be identical with those for freestanding nursing facilities with the following exceptions:

- A. MRS facilities shall have their upper limit for allowable nursing services cost per case mix unit based on one hundred twenty (120) percent of the upper limit cost per case mix unit (after trending and indexing) for the applicable array (urban or rural) of freestanding nursing facilities.
- B. The Nursing Services Cost Savings Incentive shall be paid to those facilities which have a cost per case mix unit less than one hundred twenty (120) percent of the upper limit cost per case mix unit (after trending and indexing) for the applicable array (urban or rural) of freestanding nursing facilities.
- C. MRS facilities shall have their upper limit for the allowable All Other Cost per diem (trended and indexed) based on one hundred twenty (120) percent of upper limit cost per diem (trended and indexed) for the applicable array (urban or rural) of freestanding nursing facilities.

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602. RATE COMPUTATION

602. RATE COMPUTATION

- D. The All Other Cost Savings Incentive shall be paid to those facilities which have a per diem cost (trended and indexed) less than one hundred twenty (120) percent of the per diem cost upper limit (trended and indexed) for the applicable array (urban or rural) of freestanding nursing facilities.
- E. For both the Nursing Services Cost and All other Cost, the Cost Savings Incentive per diem shall be ten (10) percent of the difference between the facility's allowable cost per diem and the MRS per diem cost upper limit, not to exceed one (1) dollar and fifty (50) cents for either of the two (2) components.

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NURSING FACILITY PAYMENT SYSTEM

PART VII

Pediatric Facilities

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Pediatric Facilities

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700. INTRODUCTION

700. INTRODUCTION

This payment system shall be designed for pediatric nursing facilities (PNF) which are providing services to Medicaid recipients and shall be reimbursed by the Department for Medicaid Services. Except as specified in this manual supplement, policies and procedures as stated in the Department for Medicaid Services Nursing Facility Reimbursement Manual, Parts I and III are applicable to pediatric nursing facilities. This reimbursement system shall be effective with the rate setting on July 1, 1991.

The reimbursement principles and procedures in effect on July 1, 1990 shall remain in effect through June 30, 1991, except for an adjustment to the routine rate effective October 1, 1990 to take into account those medical supplies which shall become routine cost items instead of ancillary cost items on that date. The information submission requirements and add-on per diem computation shall be the same as those found in the ICF - MR portion of this manual (Part IV).

700. INTRODUCTION

700. INTRODUCTION

The cost report submission requirements and the rate computation methodology rates effective July 1, 1991 shall be the same as those for IMD facilities (Part V of this manual).

The intent of this reimbursement system shall be to recognize the reasonable costs associated with the services and level of care provided by Pediatric Nursing Facilities (PNFs).

SKILLED NURSING FACILITIES
WITH MENTAL RETARDATION SPECIALTY
COST INCENTIVE AND INVESTMENT FACTOR SCHEDULE

BASIC PER DIEM COST	INVESTMENT FACTOR PER DIEM AMOUNT	INCENTIVE FACTOR PER DIEM AMOUNT
\$68.99 & Below	\$1.38	\$.87
\$69.00 - \$71.99	1.29	.75
\$72.00 - \$74.99	1.18	.62
\$75.00 - \$77.99	1.06	.47
\$78.00 - \$80.99	.92	.31
\$81.00 - \$83.99	.76	.13
\$84.00 - \$85.75*	.53	-

Maximum Payment \$85.75

*Total payment cannot exceed Maximum.

701. DEFINITION

701. DEFINITION

A facility having PNF beds and providing pediatric care only shall be classified as a pediatric nursing facility and shall receive reimbursement in accordance with the payment mechanism developed for that class of facility.

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NURSING FACILITY PAYMENT SYSTEM

PART VIII

COST REPORT INSTRUCTIONS

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Department for Medicaid Services
Annual Cost Report Instructions

Nursing Facilities Reimbursement Manual

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800. INTRODUCTION TO THE NURSING FACILITY COST REPORT

800. INTRODUCTION TO THE NURSING FACILITY COST REPORT

The Annual Nursing Facility Cost Report provides for the submission of cost and statistical data which shall be used in rate setting and in reporting to various governmental and private agencies. All required information is pertinent and shall be submitted as accurately as possible.

In general, costs shall be reported as they appear in the provider's accounting records.

Schedules shall be provided for any adjustments or reclassifications that are necessary.

In the cost finding process, direct costing between Certified Nursing Facility (CNF) and Non-certified Nursing Facility (non-CNF) shall be used wherever possible. If direct costing is utilized, it shall be utilized, if possible, for all costs of a similar nature. Direct costing shall not be utilized on a selective basis in order to distort the cost finding process.

801. SCHEDULE A - CERTIFICATION AND OTHER DATA

801. SCHEDULE A - CERTIFICATION AND OTHER DATA;

This schedule shall be completed by all facilities.

- A. TYPE OF CONTROL. In Sections 1 through 3 indicate as appropriate the ownership or auspices under which the facility operates.
- B. Section B is provided to show whether the amount of costs to be reimbursed by the Medicaid Program includes costs resulting from services, facilities, and supplies furnished to the vendor by organizations related to the vendor by common ownership or control.

Section B shall be completed by all vendors.

- C. Section C shall be completed when the answer in Part B is yes. The amount reported in Section C shall agree with the facility's books.
- D. Section D shall be completed when the answer in Part B is yes.

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801. SCHEDULE A - CERTIFICATION AND OTHER DATA

801. SCHEDULE A - CERTIFICATION AND OTHER DATA:

- E. Section E is provided to show the total compensation paid for the period to sole proprietors, partners, and corporation officers, as owner(s) of Certified Nursing Facilities. Compensation is defined in the Principles of Reimbursement as the total benefit received (or receivable) by the owner for the services he renders to the institution. It shall include salary amounts paid for managerial, administrative, professional, and other services; amounts paid by the institution for the personal benefit of the owner; and the cost of assets and services which the owner receives from the institution and deferred compensation. List the name, title and function of owner(s), percent of work week devoted to business, percent of stock owned, and total compensation.
- F. Section F is provided to show total compensation paid to each employed person(s) to perform duties as administrators or assistance administrators. List each administrator or assistance administrator who has been employed during the fiscal period. List the name, title, percent of customary work week devoted to business, percent of the fiscal period employed, and total compensation for the period.
- G. Section G shall be completed by all providers.
- H. Section H shall be completed by all providers.

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802. SCHEDULE B - STATEMENT OF INCOME AND EXPENSES

802. SCHEDULE B - STATEMENT OF INCOME AND EXPENSES:

If a facility has an income statement which provides the same detail as this schedule, this statement may be submitted in lieu of Schedule B. This schedule shall be prepared for the reporting period. During preparation, consideration shall be given to the following items :

- A. Line 1. The amount entered on this line shall be the gross charges for services rendered to patients before reductions for charity, bad debts, contractual allowances, etc.
- : B. Line 2. Record total bad debts, charity allowances, contractual adjustments, etc. on this line. This line shall include the difference between amounts paid by the patient or 3rd party payor and the standard charge of the facility.
- C. Line 3. Subtract line 2 from line 1.

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802. SCHEDULE B - STATEMENT OF INCOME AND EXPENSES

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- D. Line 4. Enter total operating expenses from Schedule D-4, Line 26, Column 2.
- E. Line 5. Subtract line 4 from line 3.
- F. Lines 6a, 6b, 7a, and 7b. Complete these lines in accordance with the definitions of restricted and unrestricted as presented in the Principles of Reimbursement in this manual.
- G. Line 12. Include on this line rent received from the rental portions of a facility to other related or non-related parties, i.e., the rental of space to a physician, etc.
- H. Line 14. Purchase discounts shall be applied to the cost of the items to which they relate. However, if they are recorded in a separate account, the total of the discounts shall be entered on this line.
- I. Line 31. Total lines 6a through 30.

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802. SCHEDULE B - STATEMENT OF INCOME AND EXPENSES

802. SCHEDULE B - STATEMENT OF INCOME AND EXPENSES

- J. Line 33-48. Enter amount of other expenses, including those incurred by the facility which do not relate to patient care.
- K. Line 49. Total lines 33 through 48.
- L. Line 50. Subtract line 49 from line 32.

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803. SCHEDULE C -BALANCE SHEET AND COMPUTATION OF EQUITY CAPITAL

803. SCHEDULE C -BALANCE SHEET AND COMPUTATION OF EQUITY CAPITAL

Non-profit facilities shall complete only column 1. Proprietary facilities shall complete the entire schedule.

- A. Column 1. Enter the balance recorded in the facility's books of accounts at the end of the reporting period (accrual basis of accounting is required as indicated in the Principles of Reimbursement). Attachments may be used if the lines on the schedule are not sufficient. The capital accounts shown on lines 41 through 45, are those applicable to the type of business organization under which the provider operates as follows:

Individual Proprietor - Proprietor's Capital Account

Partnership - Partner's Capital Accounts

Corporation - Capital Stock and Other Accounts

- B. Column 2. This column shall be used to show amounts of assets and liabilities included in a facility's balance sheet which do not relate to the provider of patient

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803. SCHEDULE C -BALANCE SHEET AND COMPUTATION OF EQUITY CAPITAL

803. SCHEDULE C -BALANCE SHEET AND COMPUTATION OF EQUITY CAPITAL

care. Entries to this column shall be detailed on Schedule C-1. NOTE: It shall not be necessary to attempt to remove the portion of assets applicable to other levels of care on this schedule. Some examples of adjustments which may be required include:

1. Line 2 - Notes and Accounts Receivable. The notes and accounts receivable total to be entered in column 2 shall represent total amounts expected to be realized by the provider from non-patient care services.
2. Lines 11, 13, 15, 17, 19 - Fixed Assets. The amounts to be entered in column 2 shall be based on the historical cost of those assets, or in the case of donated assets, the fair market value at the time of donation, which are not related to patient care.
3. Line 12, 14, 16, 18, 20 - Accumulated Depreciation. The amounts in column 2 shall be the adjustment necessary to reflect accumulated depreciation on

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803. SCHEDULE C -BALANCE SHEET AND COMPUTATION OF EQUITY CAPITAL

803. SCHEDULE C -BALANCE SHEET AND COMPUTATION OF EQUITY CAPITAL

the straight-line method to the effective date of entry into this reimbursement program and amounts claimed thereafter, and shall also be adjusted for disposals and amounts of accumulated depreciation on assets not related to patient care.

Assets not related to patient care shall be removed on lines 11, 13, 15, 17, and 19 respectively.

4. LINE 22 - INVESTMENTS. Investments includable in the equity capital balance sheet in column 3 shall be limited to those related to patient care. Primarily, these shall be temporary investments of excess operating funds. Operating funds invested for long periods of time shall be considered excess and not related to patient care needs and shall accordingly be removed in column 2.
5. LINE 25 - OTHER ASSETS. Examples of items which may be in this asset category and their treatment for equity capital purposes are as follows:

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803. SCHEDULE C -BALANCE SHEET AND COMPUTATION OF EQUITY CAPITAL

803. SCHEDULE C -BALANCE SHEET AND COMPUTATION OF EQUITY CAPITAL

- a. Goodwill purchased shall be includable in equity capital.
- b. Organization Expense. Expenses incurred in organizing the business shall be includable in equity capital. (Net of Amortization)
- c. Discounts on Bonds Payable. This account represents a deferred charge to income and shall be includable in equity capital.

Other asset amounts not related to patient care shall be removed in column 2.

6. LINES 37, 38 - LOANS FROM OWNERS. Do not make adjustments in column 2 with respect to funds borrowed by basic IC or IC/MR facilities prior to July 1, 1975 or by Skilled Nursing Facilities prior to December 1, 1979, provided the terms and conditions of the loan agreement have not been modified subsequent to July 1, 1975, or December 1, 1979, respectively. Such loans shall be considered a liability in computing equity capital as interest expense related to such loans is included in allowable costs.

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803. SCHEDULE C -BALANCE SHEET AND COMPUTATION OF EQUITY CAPITAL

803. SCHEDULE C -BALANCE SHEET AND COMPUTATION OF EQUITY CAPITAL

If the terms and conditions of payment of loans made prior to July 1, 1975 for IC facilities and December 1, 1979 for Skilled Nursing facilities, have been modified subsequent to July 1, 1975 and December 1, 1979, respectively, such loans shall not be included as a liability in column 6, and therefore shall be adjusted in column 5. Loans made by owners after these dates shall also be treated in this manner.

- C. For Schedule C, line 1-45, adjust the amounts entered in column 1 (increase and decrease) by the amounts entered in column 2 and extend the net amounts to column 3. Column 3 is provided for the listing of the balance sheet amounts which represent equity capital for the Department for Medicaid Services purposes at the end of the reporting period.

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804. SCHEDULE C-1 - ADJUSTMENT TO EQUITY CAPITAL:

804. SCHEDULE C-1 - ADJUSTMENT TO EQUITY CAPITAL

This schedule shall be used to explain all adjustments made by the facility on Schedule C, column 2, in order to arrive at the adjusted balance sheet for equity capital purposes.

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